

HOUSE BILL REPORT

HB 2326

As Reported by House Committee On:
Transportation

Title: An act relating to authorizing bonds for the financing of eligible toll facilities.

Brief Description: Authorizing bonds for the financing of eligible toll facilities.

Sponsors: Representatives Clibborn and Williams.

Brief History:

Committee Activity:

Transportation: 3/30/09, 3/31/09 [DPS].

Brief Summary of Substitute Bill

- Authorizes the issuance of \$1.95 billion in general obligation bonds for projects or improvements on the State Route 520 corridor.
- Requires the state tolling authority to fix and adjust toll rates as necessary to support the repayment of bonds backed in whole or in part by toll revenues.
- Empowers the State Finance Committee to include provisions and pledges in the bonds issued pursuant to the act regarding such issues as maintenance and operation of toll facilities, uses of toll revenues, the funding sources backing the bonds, the ratio of toll collections to debt service, the structure of the bonds, and conditions or limitations for the issuance of further bonds.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Clibborn, Chair; Liias, Vice Chair; Dickerson, Driscoll, Eddy, Finn, Flannigan, Moeller, Morris, Rolfes, Sells, Takko, Upthegrove, Wallace, Williams and Wood.

Minority Report: Do not pass. Signed by 12 members: Representatives Roach, Ranking Minority Member; Rodne, Assistant Ranking Minority Member; Armstrong, Campbell, Cox, Ericksen, Herrera, Johnson, Klippert, Shea, Simpson and Springer.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: David Munnecke (786-7315)

Background:

Bonds have been issued by the state in the past to fund transportation projects that have a long-term expected life span. The bonds must be authorized by the Legislature and the proceeds from the sale of the bonds must be appropriated for transportation projects.

The state has previously issued general obligation bonds whose debt service is repaid from specific dedicated sources of revenue. Specific examples include bonds issued for the renovation of the Legislative Building and the construction of the Natural Resources Building.

Summary of Substitute Bill:

Authorization is provided for the sale of \$1.95 billion of general obligation bonds for the location, design, right-of-way, and construction of projects on the State Route 520 (SR 520) corridor. The bonds may be backed by a combination of the toll revenues collected on the SR 520 corridor, motor vehicle fuel taxes, and the full faith and credit of the state, as determined by the State Finance Committee, which consists of the Governor, Lieutenant Governor, and State Treasurer.

The state tolling authority is required to fix and adjust toll rates as necessary to support the repayment of bonds backed in whole or in part by toll revenues.

The State Finance Committee is empowered to include provisions and pledges in the bonds issued pursuant to the act regarding such issues as:

- maintenance and operation of toll facilities;
- uses of toll revenues;
- the funding sources backing the bonds;
- the ratio of toll collections to debt service;
- the structure of the bonds; and
- and conditions or limitations for the issuance of further bonds.

Substitute Bill Compared to Original Bill:

The authorization for the issuance of general obligation bonds for projects or improvements on the SR 520 corridor is increased from \$1.2 billion to \$1.95 billion in order to account for the issuance of bonds backed by federal bridge funds, which are an assumed portion of the financing plan for the project.

The state tolling authority is now required to fix and adjust toll rates as necessary to support the repayment of bonds backed in whole or in part by toll revenues.

The State Finance Committee, which is made up of the Governor, Lieutenant Governor, and State Treasurer, is granted the authority to include provisions and pledges in the bonds issued

pursuant to the act regarding such issues as maintenance and operation of toll facilities, uses of toll revenues, the funding sources backing the bonds, the ratio of toll collections to debt service, the structure of the bonds, and conditions or limitations for the issuance of further bonds.

Appropriation: None.

Fiscal Note: Not requested

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill is a major step towards the financing of the replacement of the SR 520 bridge, which is one of the most important projects in the state. The replacement of the SR 520 bridge would create jobs, remove a major risk to the state economy, and set the stage for future growth.

This bill authorizes the issuance of up to \$750 million in bonds backed by federal bridge funds and up to \$1.2 billion in bonds backed by future toll revenues, fuel taxes, and the general obligation of the state. Fuel taxes alone are not sufficient to finance the infrastructure needed in this country and tolls are becoming a part of the funding for all major transportation projects.

Any tolling legislation should incorporate the following principles that reflect bond market realities and national trends: (1) early tolling should be used to lower the financing costs; (2) the source of toll revenue should be broader than a single project; (3) toll-setting should be handled by an independent entity; (4) the toll-setting should be required to meet the demands for the bond payments plus a cushion; and (5) the specific form of financing should be decided at the time of issuance to most closely meet the desires of the market. This bill meets four of the five criteria, and is an acceptable means for moving forward.

(Opposed) None.

Persons Testifying: Jim McIntire, Washington State Treasurer.

Persons Signed In To Testify But Not Testifying: None.